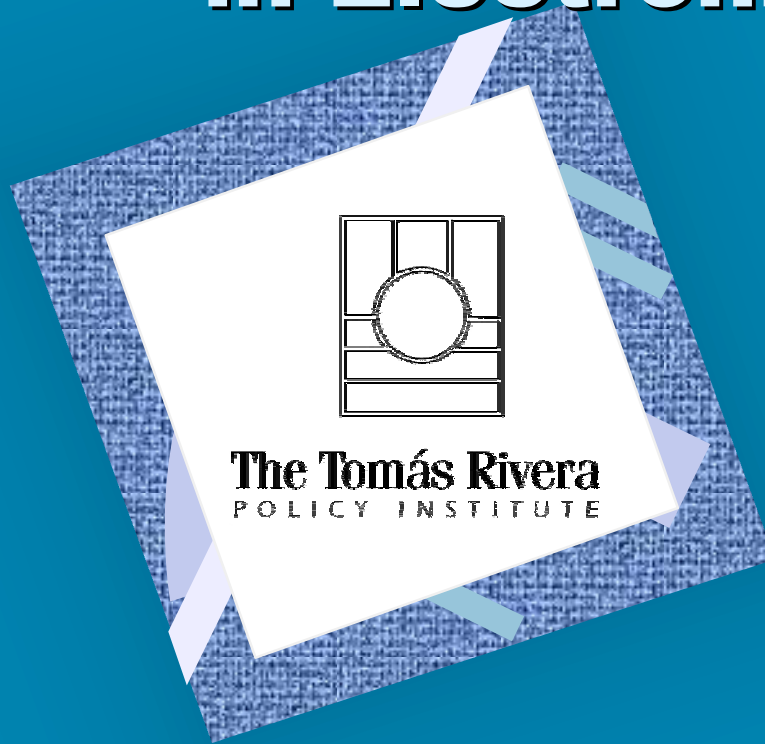


Minority Business Participation in Electronic Commerce



**Presentation to
MBDA MedWeek**

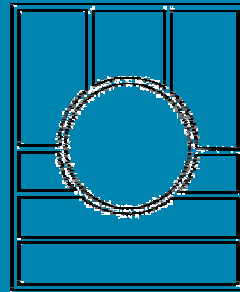
by:

**Waldo Lopez-
Aqueres, Ph.D.**

**Director of Economic Research
Tomas Rivera Policy Institute
September 27, 2000**

Research Sponsors

- US WEST Foundation
- Minority Business Development Agency
- Dun & Bradstreet



The Tomás Rivera
POLICY INSTITUTE

Research Objectives

To Learn About:

- MBEs use of E-commerce
- The barriers and challenges they face
- Their Opinions on E-commerce
- The factors associated with the use of E-commerce
- To develop policy recommendations

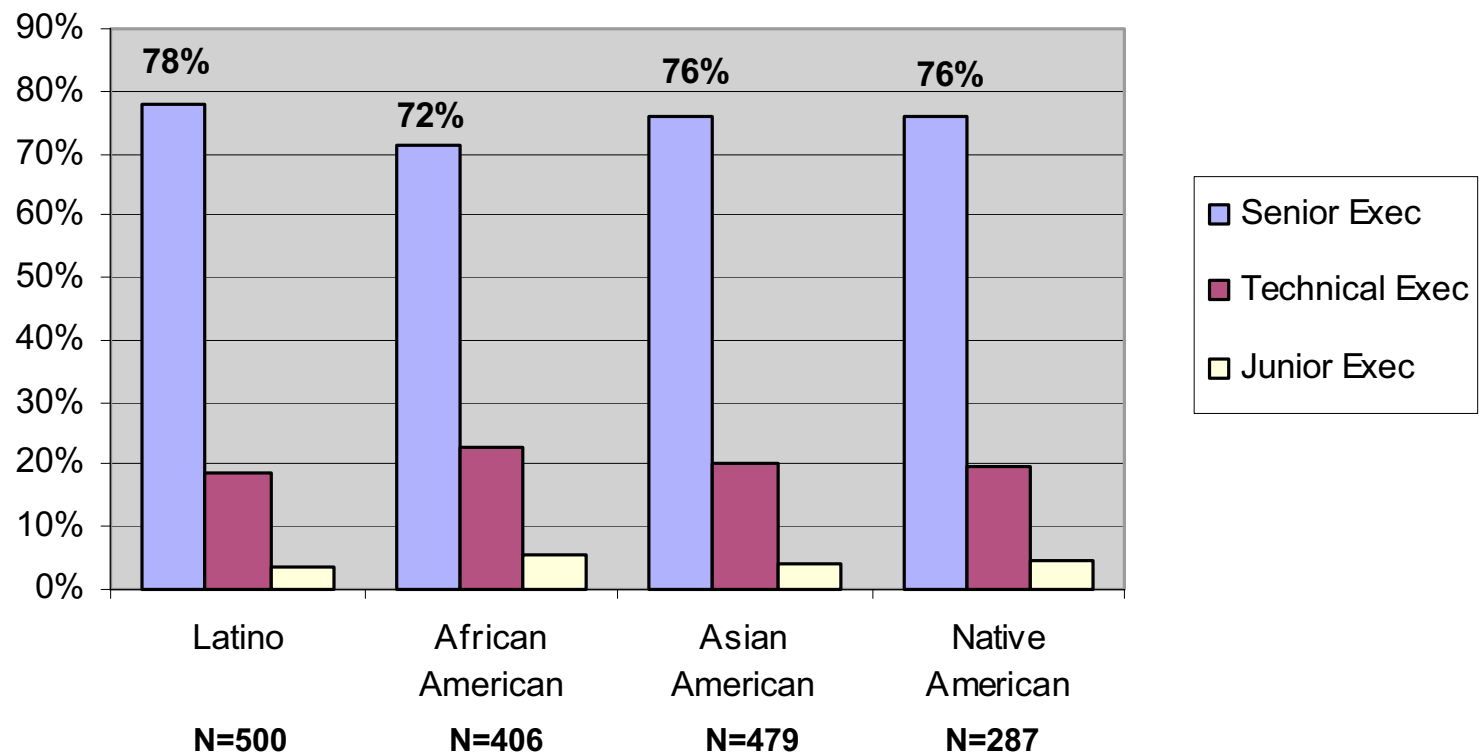
Methodology

MBEs with annual sales of \geq \$ 500, 000

- Good to excellent credit rating
- Sound credit history
- Telephone survey of 1,673 MBEs
- Random sampling stratified by:
 - Ethnicity / Race
 - Participation in E-Commerce
 - Annual Sales Volume

Description of Respondents

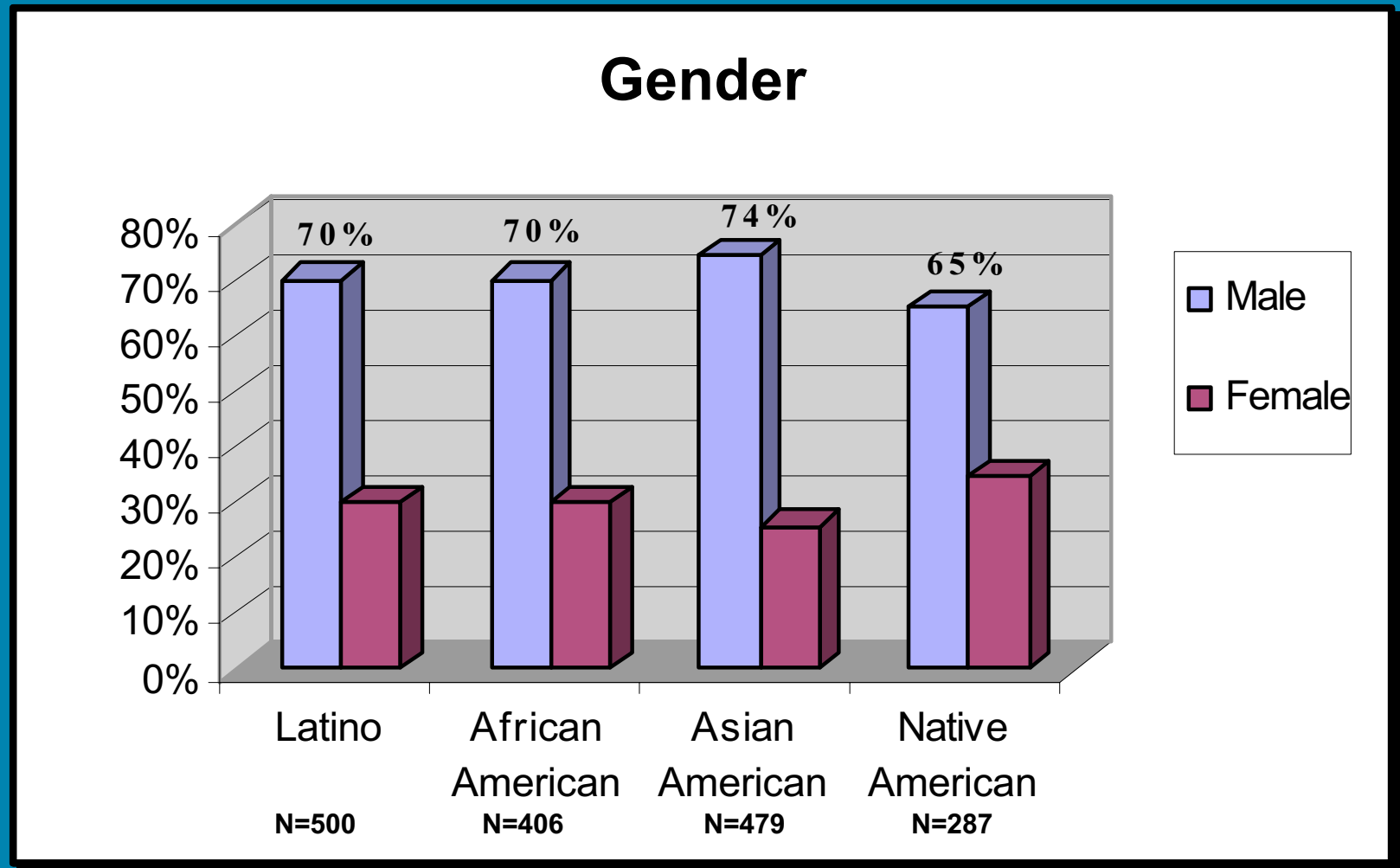
Position within the Firm



Chi-Square = 6.22 P/Chi-Square=NS

Businesses with annual revenues exceeding \$500,000.

Description of Respondents

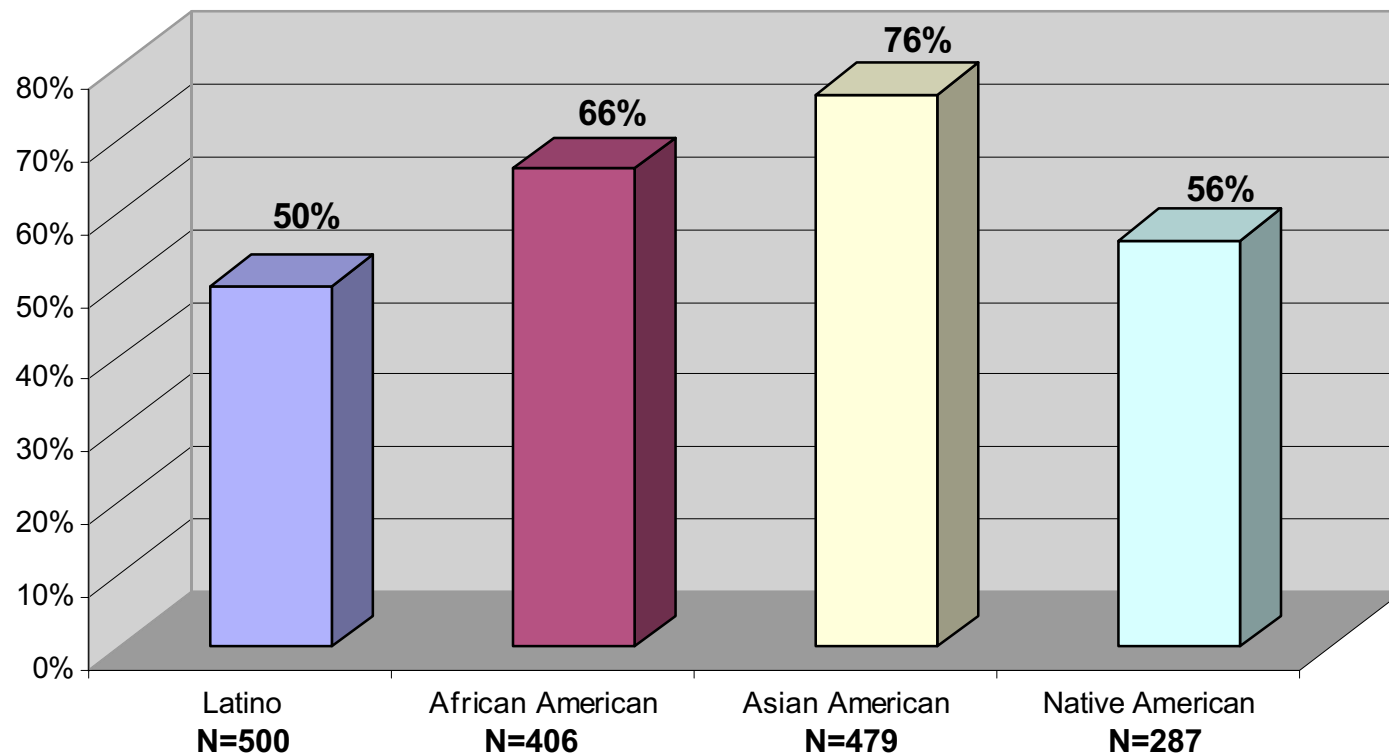


Chi-Square = 7.34 P/Chi-Square=NS

Businesses with annual revenues exceeding \$500,000.

Description of Respondents

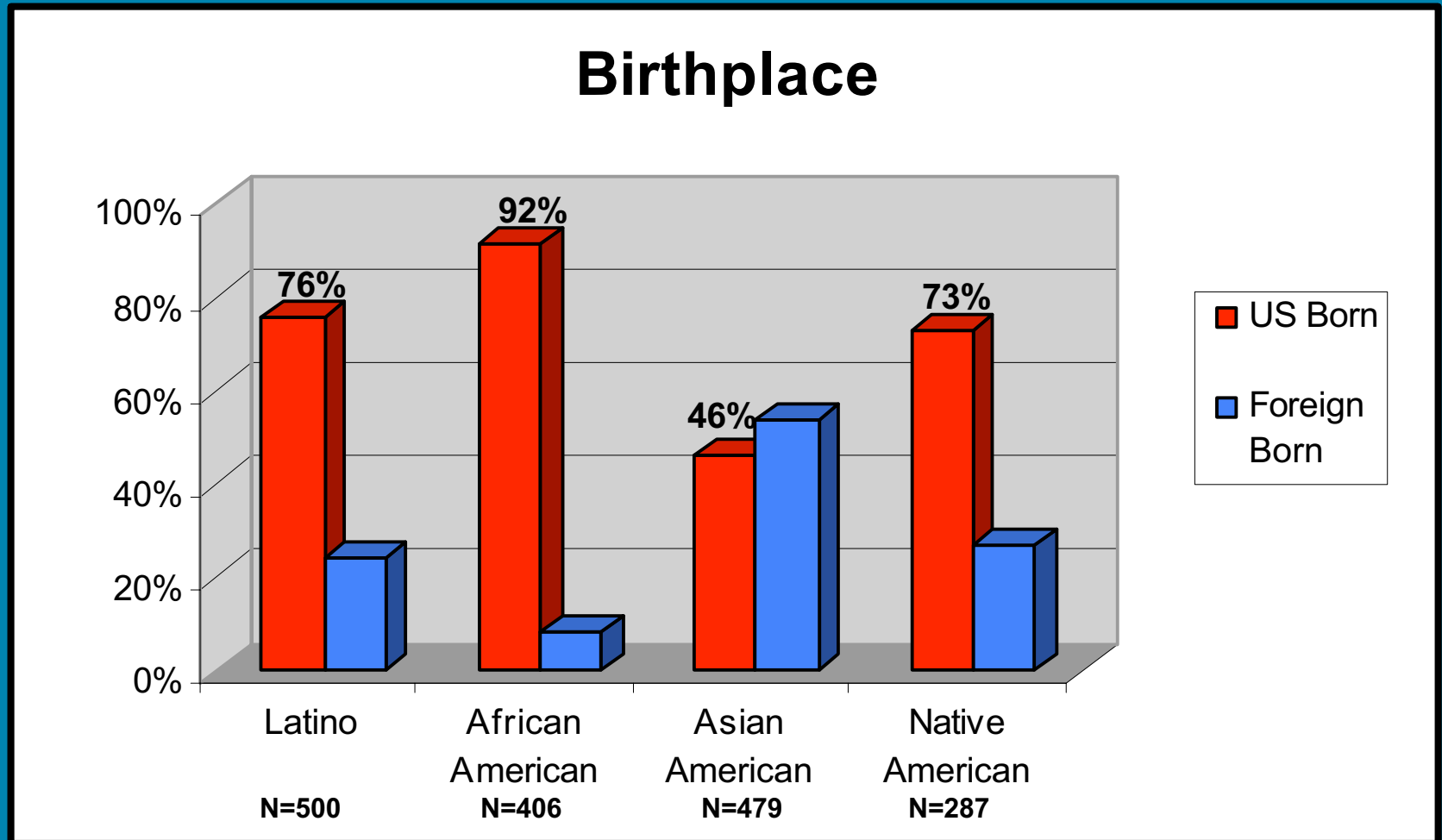
Education: College Degree or Higher



Chi-Square = 88.95 P/Chi-Square <0.001 with 9 df

Businesses with annual revenues exceeding \$500,000.

Description of Respondents



Chi-Square = 233.92 P/Chi-Square=0.001 with 3 df

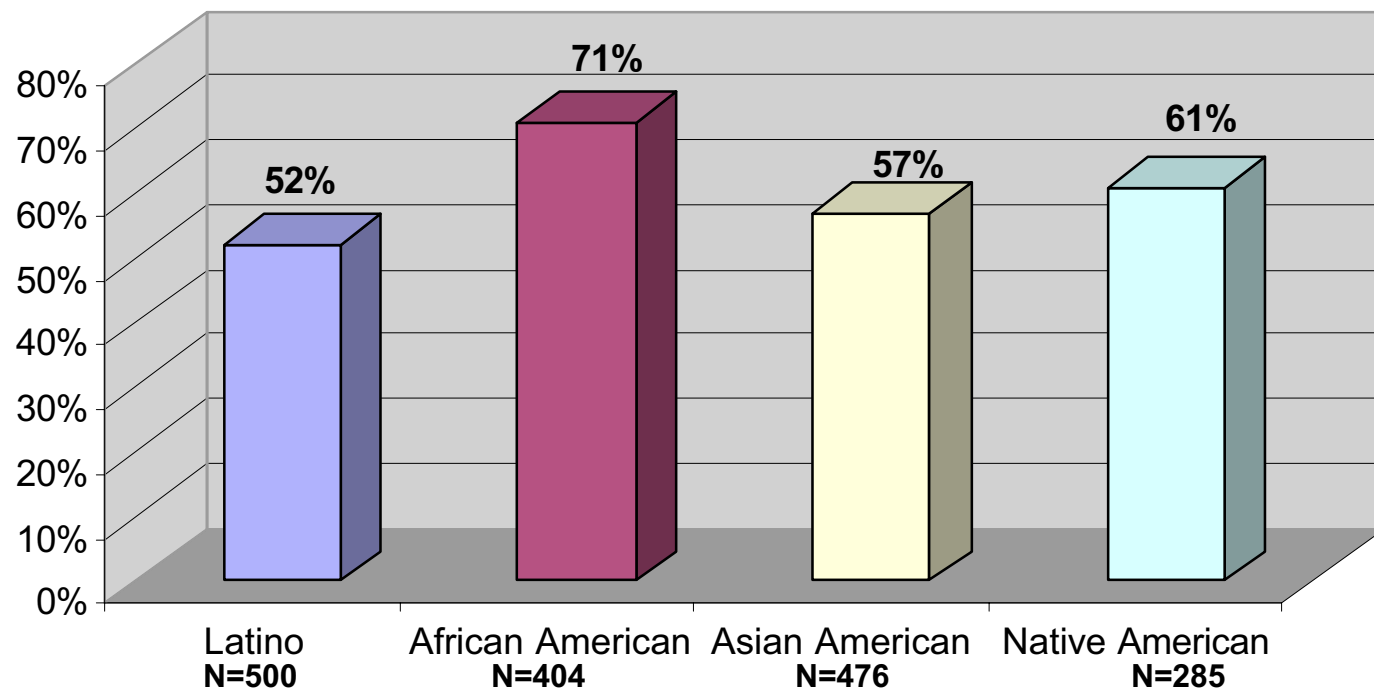
Businesses with annual revenues exceeding \$500,000.

Answering The Study Questions:

- How much do MBEs participate in E-commerce?
- What barriers and challenges do they face?
- What are MBE views of E-commerce?
- What are the benefits of E-commerce as perceived by MBEs?

Use of Computers

Mean Percent of People in Company that Use Computers



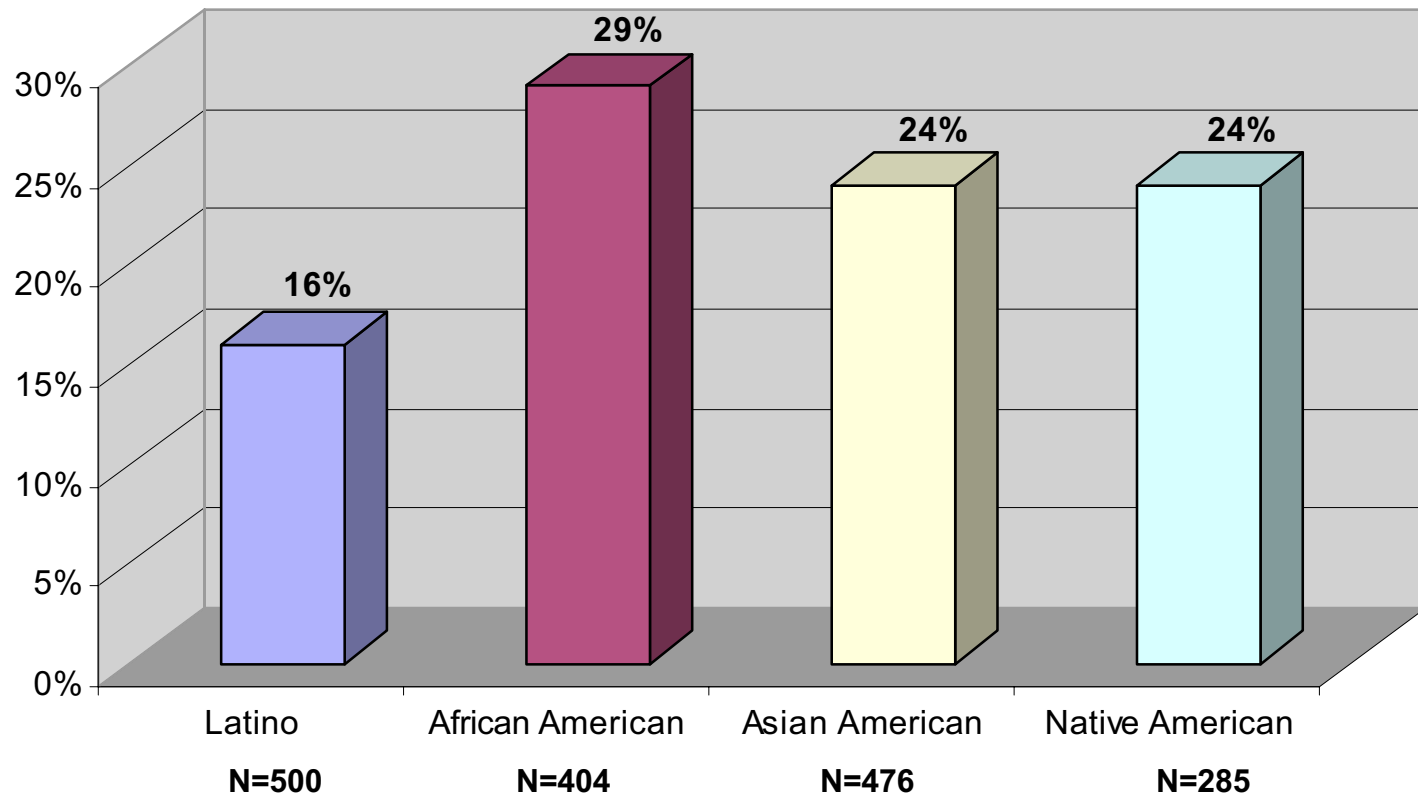
ANOVA test: $F = 17.5$, sig at 0.00 with 3 df

Businesses with annual revenues exceeding \$500,000.

Percent reported is the mean average

Use of E-Mail

Mean Proportion of Business Communication Done Via E-Mail



ANOVA test: $F = 17.5$, sig at 0.00 with 3 df

Businesses with annual revenues exceeding \$500,000.

Percent reported is the mean average

Participation in E-commerce

Minority Business Participation Rates

	<u>Latino</u>	<u>African American</u>	<u>Asian American</u>	<u>Native American</u>
E-Commerce	13%	11%	12%	10%
Web/no E-Commerce	29%	45%	36%	44%
Firms w/ Website	42%	56%	49%	54%
Firms w/o Website	58%	44%	51%	46%
Sample Size	500	406	479	287

Chi-Square = 31.92 P/Chi-Square=0.001 with 6 df

Businesses with annual revenues exceeding \$500,000.

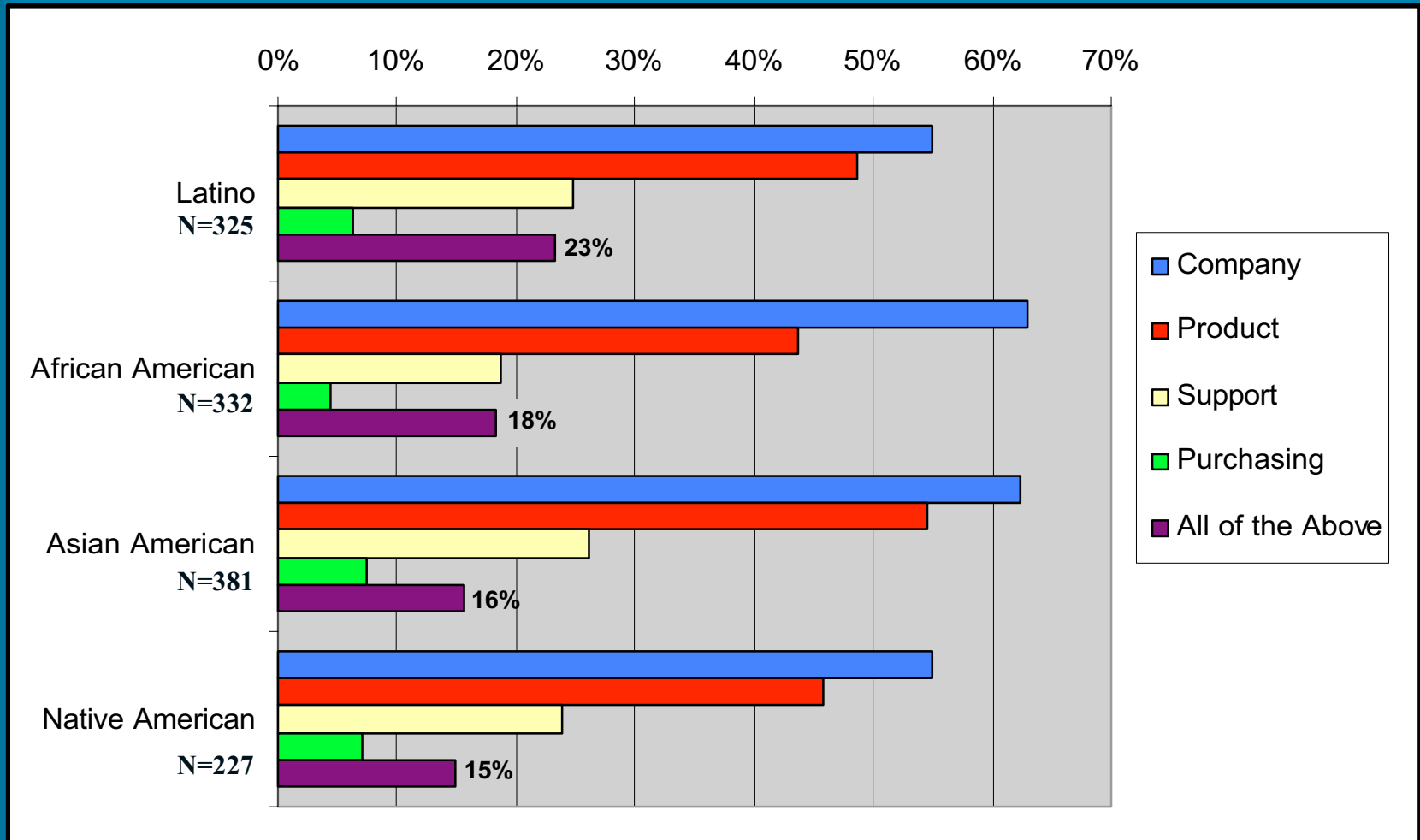
Characteristics of Website

	<u>Latino</u>	<u>African American</u>	<u>Asian American</u>	<u>Native American</u>
Company website has it's own Domain Name	87%	88%	91%	85%
Website can be found through Search Engine	88%	86%	80%	79%
Time Website has been Operating (median)	1.5 yrs	2.0 yrs	2.0 yrs	2.0 yrs
Firms with website	206	224	229	155

Chi-Sq= 3.87 P/Chi-Sq= NS; Chi-Sq=8.32 P/Chi-Sq <0.04 with 3 df.

Businesses with annual revenues exceeding \$500,000.

Information on Website



Chi-Square not performed due to multiple responses

Businesses with annual revenues exceeding \$500,000.

Barriers

Major Reasons Why MBEs don't have an E-Commerce Site

	<u>Latino</u>	<u>African American</u>	<u>Asian American</u>	<u>Native American</u>
Product does not lend to E-comm	20%	23%	21%	24%
We don't want/need to	15%	11%	14%	13%
Infrastructure not ready	10%	14%	17%	12%
Too much online competition	6%	6%	5%	9%
We sell services not products	5%	8%	4%	9%

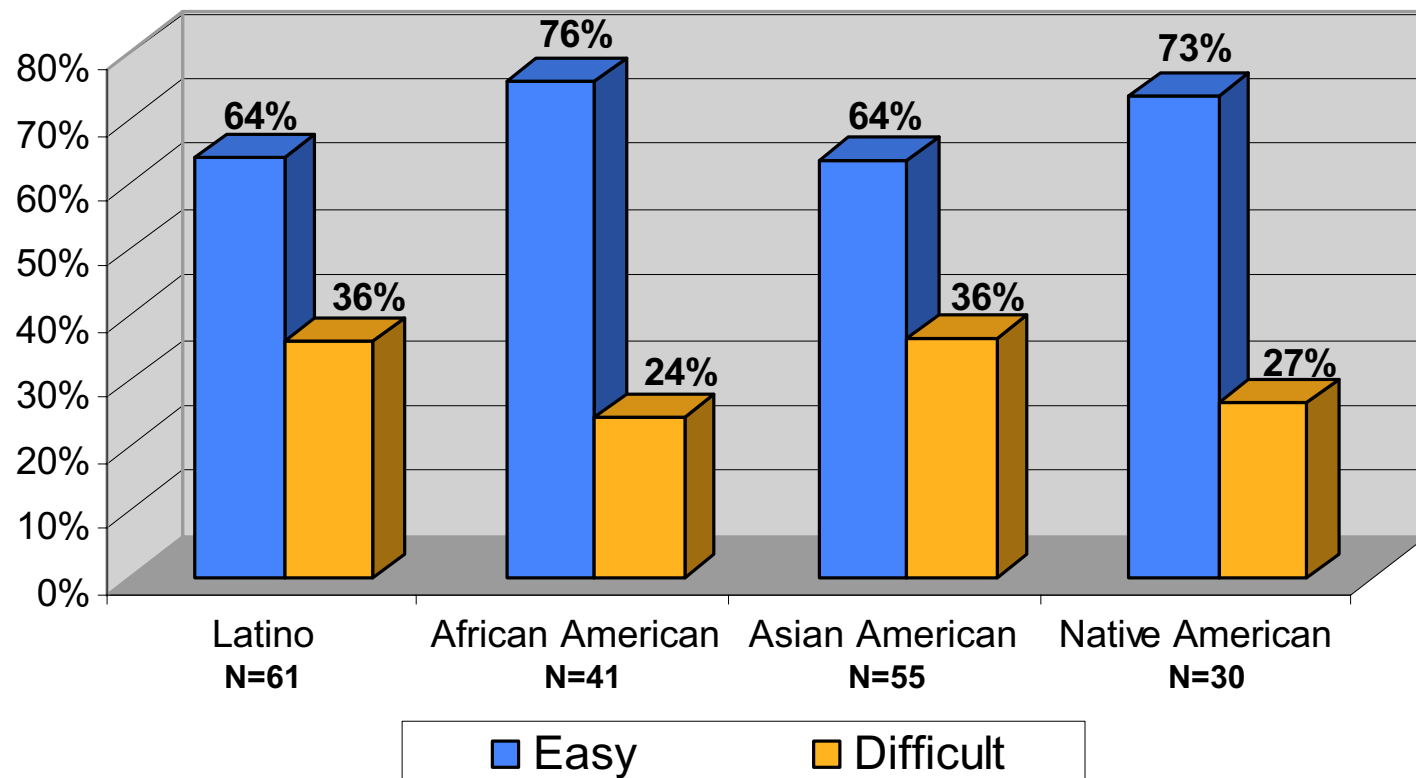
Lessons Learned

Main Challenges Encountered During First Six Months

	<u>Latino</u>	<u>African American</u>	<u>Asian American</u>	<u>Native American</u>
Marketing to our customers	9%	19%	16%	31%
Customer satisfaction	5%	4%	5%	9%
Design of site	8%	12%	5%	6%
Site breakdown & crashing	5%	6%	7%	3%
Learning how to operate site	9%	2%	2%	9%
Organization aversion to E-comm	8%	4%	2%	6%
Inter-departmental coordination	5%	6%	0%	3%

Lessons Learned

Difficulty in Launching an E-commerce Site

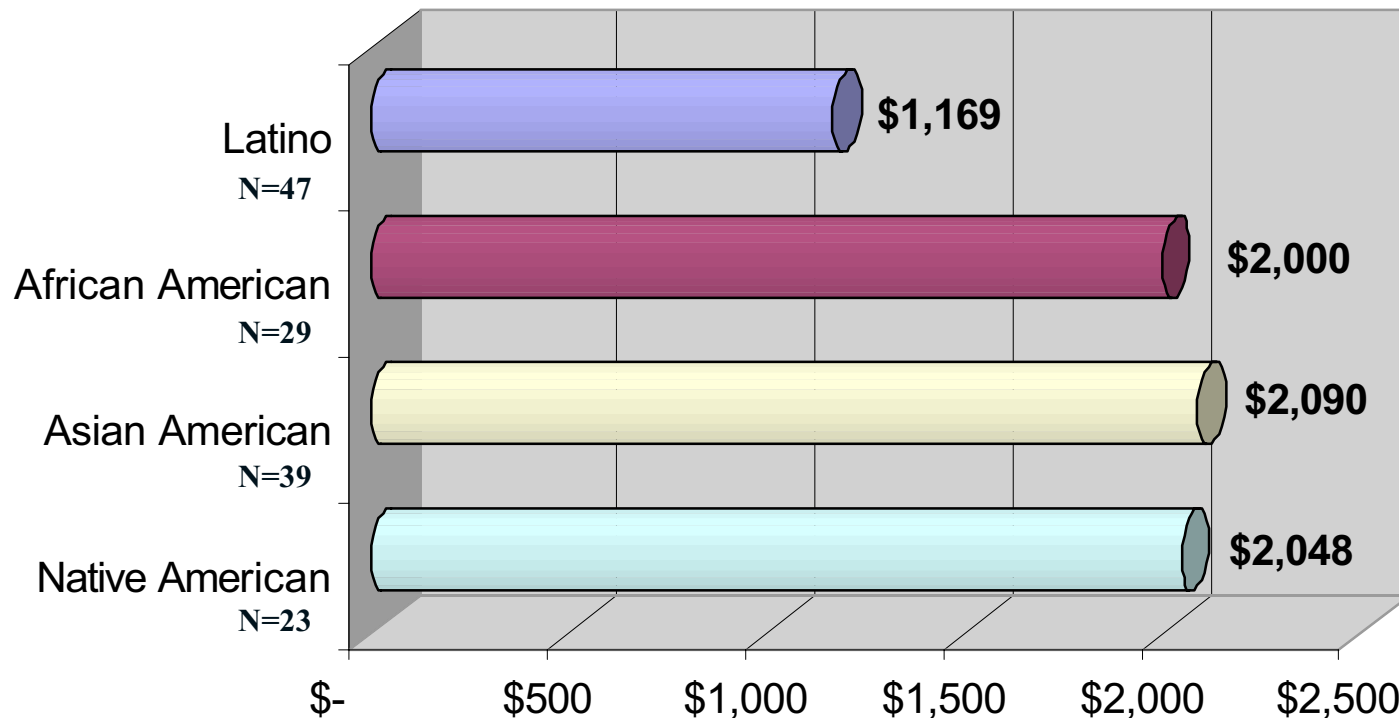


Chi-Square= 5.90 P/Cho-Square = NS with 9 df

Businesses with annual revenues exceeding \$500,000.

Lessons Learned

Median Annual Cost of Starting-up E-commerce Site

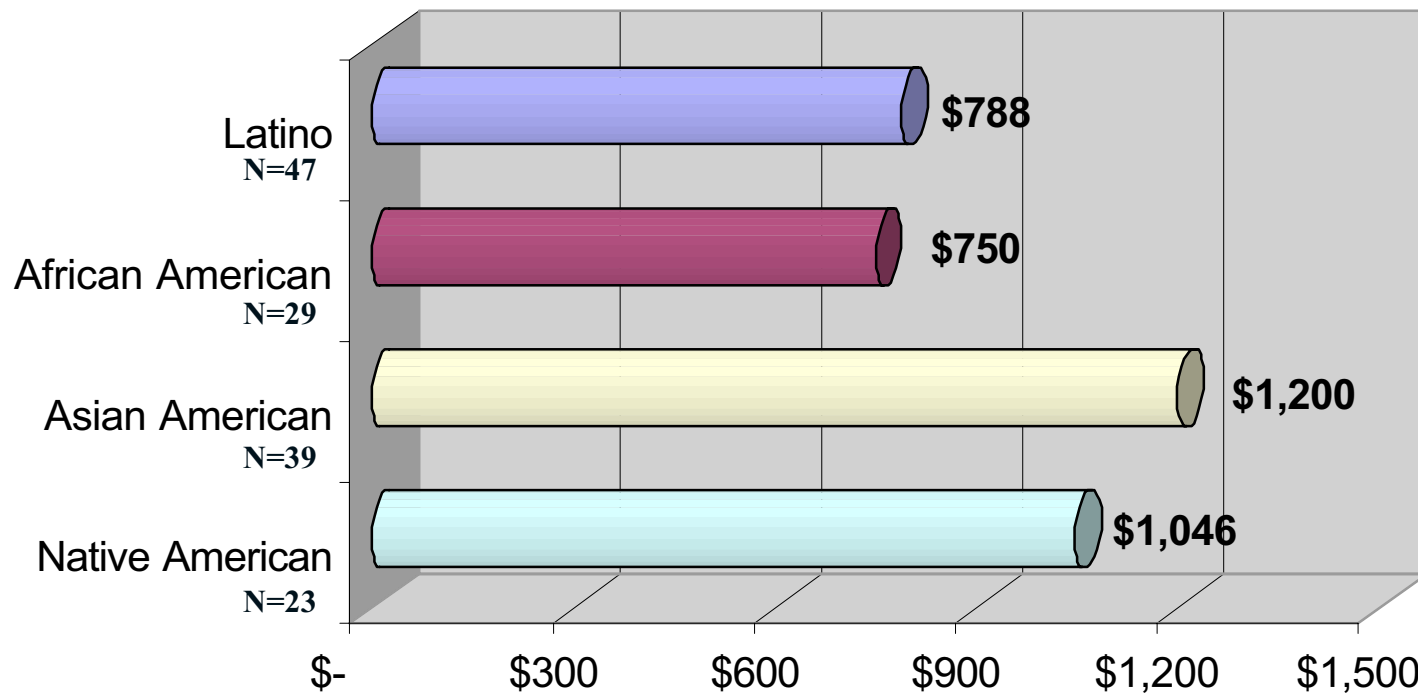


ANOVA test: $F = 0.60$, NS

Businesses with annual revenues exceeding \$500,000.

Lessons Learned

Median Annual Cost of Operating E-commerce Site



ANOVA test: $F = 0.60$, NS

Businesses with annual revenues exceeding \$500,000.

Lessons Learned

Are Revenues from your EC Site Higher, Lower, About the Same as the Cost of Operating & Promoting the Site?

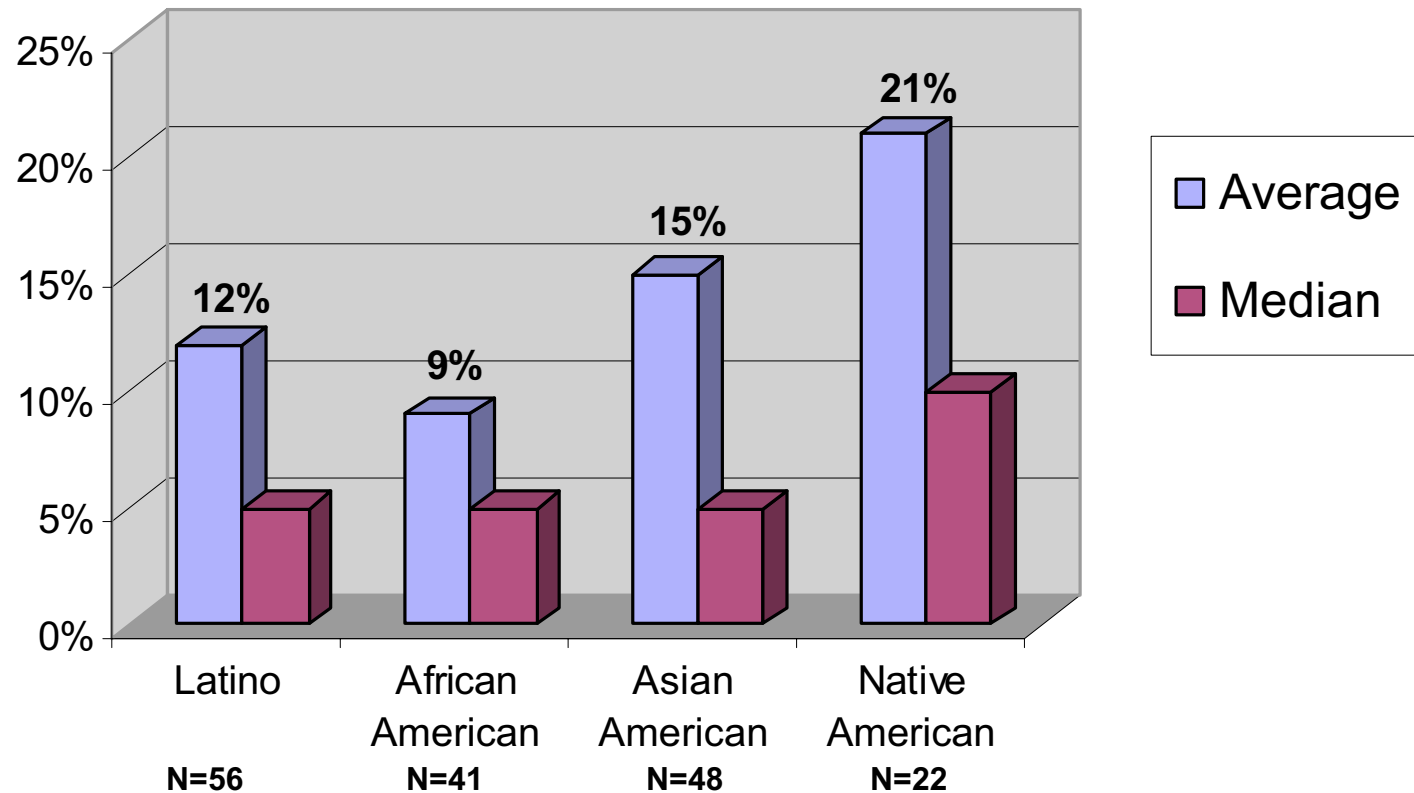
	<u>Latino</u>	<u>African American</u>	<u>Asian American</u>	<u>Native American</u>
Higher	24%	14%	35%	27%
Lower	19%	41%	21%	28%
About the same	30%	31%	21%	24%
Don't Know	27%	14%	24%	21%
Sample Size	63	42	58	29

Chi-Square = 20.97 P/Chi-Sq. < 0.05 with 9 df

Businesses with annual revenues exceeding \$500,000.

Lessons Learned

What Percent of Your Total Sales Are Made Online?



ANOVA test: $F = 1.82$, NS

Businesses with annual revenues exceeding \$500,000.

Lessons Learned

What Kind of Advertising and Promotion is Most Effective in Increasing Traffic to your E-commerce Site?

	<u>Latino</u>	<u>African American</u>	<u>Asian American</u>	<u>Native American</u>
Web banners	34%	35%	37%	36%
Newspapers/magazines	4%	6%	6%	5%
Search engines	3%	6%	5%	5%
Television	5%	3%	2%	0%
Direct mailing/flyers	5%	1%	1%	5%
Word of mouth	2%	4%	3%	0%

E-commerce Benefits

As Perceived by Business Executives

	<u>Latino</u>	<u>African American</u>	<u>Asian American</u>	<u>Native American</u>
Bigger Market / Global Reach	19%	24%	18%	18%
Increased Profits / Sales	14%	14%	15%	18%
Convenience for Customers	7%	8%	8%	7%
Keep up with Competition	6%	6%	4%	6%
Cost Reductions	4%	6%	4%	5%
Speed / Faster	4%	4%	5%	4%
Marketing Exposure	2%	3%	1%	4%

Next Steps

- Develop logit regression model to identify significant factors affecting E-commerce
- Prepare policy recommendations
- Release final report in mid-November